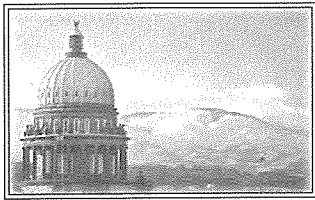


State of Idaho Internal Control Report

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Fiscal Year 2009



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

April 9, 2010

Honorable C.L. "Butch" Otter, Governor
Honorable Members of the Legislature
Honorable Donna M. Jones, State Controller

We are pleased to submit the State of Idaho *Internal Control Report* as it relates to our audit of the statewide *Comprehensive Annual Financial Report (CAFR)* covering the fiscal year ended June 30, 2009. This *Internal Control Report* is an integral part of the *CAFR* audit process and is required by *Government Auditing Standards* issued by the Comptroller General of the United States.

These standards require that we consider the internal control over financial reporting and disclose weaknesses that could have a material effect on the financial statements. We are also required to perform and disclose the results of tests of compliance with certain laws, regulations, and other requirements that could have a direct and material effect on the financial statement amounts.

The results of our audit identified three weaknesses in internal control and one instance of noncompliance with certain laws, regulations, or other requirements. Although the risk of misstatement exists as a result of these issues, none of these weaknesses resulted in material misstatements that were not corrected as a result of the audit. As such, we were able to issue an unqualified opinion on the financial statements.

For your convenience, we have inserted the applicable portion of the agency's response after each issue and included the entire responses in Appendix A.

This report is available on our Web site at www.legislature.idaho.gov, and the *CAFR* can be obtained from the Idaho State Controller's Office on its Web site at www.sco.idaho.gov or by calling 208-334-3100.

Sincerely,

Don H. Berg, CGFM, Manager
Legislative Audits Division

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

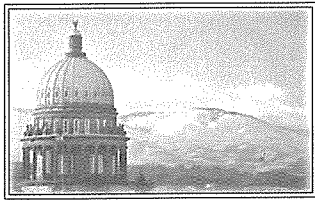
Glenn Harris, Manager
Information Technology

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

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Legislative Services Office

Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

December 16, 2009

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable C.L. "Butch" Otter, Governor
Honorable Members of the Legislature
Honorable Donna M. Jones, State Controller

We have audited the basic financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho, as of and for the fiscal year ended June 30, 2009, that collectively comprise the State's basic financial statements, and have issued our report thereon dated December 16, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University of Idaho, Idaho State University, Boise State University, Lewis-Clark State College, Eastern Idaho Technical College and their respective component units, the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, IDEal Idaho College Savings Program, Idaho Individual Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Petroleum Clean Water Trust Fund, Idaho Building Authority, and Idaho Housing and Finance Association as described in our report on the State of Idaho's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported separately by those other auditors. The financial statements of the Idaho Housing and Finance Association, Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, and the University of Idaho and their respective component units were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the State of Idaho's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Idaho's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of Idaho's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 09S-1 and 09S-4.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 09S-2.

Compliance and Other Matters

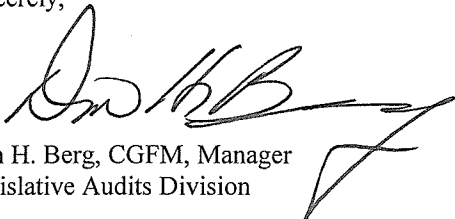
As part of obtaining reasonable assurance about whether the State of Idaho's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying *Schedule of Findings and Responses* as item 09S-3.

We noted certain matters that we reported to the management of the State of Idaho in a separate correspondence issued at the State agency level.

Responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Responses*. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management of the State of Idaho, the Governor, members of the Idaho State Legislature, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public document and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a stylized flourish extending from the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

**STATE OF IDAHO
INTERNAL CONTROL REPORT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

HEALTH AND WELFARE, DEPARTMENT OF

09S-1 Medicaid claims payable and related federal grants receivable were underreported.

TRANSPORTATION DEPARTMENT, IDAHO

09S-2 Several instances of fraud totaling more than \$700,000 have occurred involving motor vehicle collections in three counties.

TREASURER, OFFICE OF THE STATE

09S-3 Idaho Code requirements are inadequate for resolving insufficient cash balances in funds.

09S-4 Several amounts in the investment pool closing package schedules were misclassified or misstated.

STATE OF IDAHO
INTERNAL CONTROL REPORT
FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

HEALTH AND WELFARE, DEPARTMENT OF

FINDING 09S-1

Medicaid claims payable and related federal grants receivable were underreported. The Department reports to the State Controller's Office the amount of Medicaid claims payable and federal grants receivable at year-end to be included in the *CAFR*.

Medicaid claims payable were understated by approximately \$20 million because claims submitted in June 2009 but not paid until July were included as part of the estimate calculation rather than as a known amount payable. Federal grants receivable were also understated by the same amount.

The Department also did not calculate or report the long-term portion of the Medicaid receivable. This resulted in an understatement of federal grants receivable of approximately \$65 million, most of which should be recognized as deferred revenue on the *CAFR*. There may also be some payables and receivables that will not be settled until more than a year after the date of service. These longer term payables and receivables should be estimated and, if material, disclosed.

The Department recalculated the Medicaid claims payable and federal grants receivable and submitted corrected information to the State Controller's Office. However, these errors indicate a weakness in the review process and the need to confirm assumptions by comparing to actual activity to ensure amounts reported are complete and reasonable.

RECOMMENDATION

We recommend that the Department strengthen the review process and compare estimates to actual activity to ensure that Medicaid claims payable and related grants receivable are properly calculated and reported. We also recommend that the Department include efforts to identify and report other long-term payables and related federal receivables in the process.

AGENCY'S CORRECTIVE ACTION PLAN

The Department agrees with the finding and recommendation. We will continue to strengthen the review process and develop a method of estimating long-term payables and related federal receivables.

TRANSPORTATION DEPARTMENT, IDAHO

FINDING 09S-2

Several instances of fraud, totaling more than \$700,000, occurred involving motor vehicle collections in three counties. Idaho Code, Section 49-205 requires county assessors to serve as agents of the Department when processing and collecting fees for motor vehicle and driver services. County personnel enter transactions into the Department's automated system, handle collections, and remit the funds to the Department based on data in the system.

**STATE OF IDAHO
INTERNAL CONTROL REPORT
FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Frauds, totaling more than \$700,000, were identified during fiscal year 2009 that had occurred in three counties over the past nine years. The frauds occurred, in part, because data in the automated system could be altered, and no formal monitoring was performed by county assessors or Department staff to detect these events. The opportunity for fraud was compounded by the automated system, developed more than 25 years ago, that has inherent limitations and control weaknesses that limit the ability to prevent or detect unusual or irregular activities.

In addition, the responsibilities over the process are not defined through formal agreements, resulting in critical oversight and monitoring efforts that were not performed by either the Department or county assessors. Although the county assessors are responsible for the day-to-day processes, the Department is ultimately responsible to ensure that all motor vehicle collections are properly handled and safeguarded from loss or theft.

RECOMMENDATION

We recommend that the Department establish monitoring and analytical procedures over motor vehicle collections, as well as all other amounts collected by county assessors on behalf of the Department, to identify unusual or irregular activities. These procedures should include onsite visits to confirm that county personnel are recording and reporting transactions appropriately and that internal control procedures are properly developed and followed.

AGENCY'S CORRECTIVE ACTION PLAN

The Department concurs with the recommendations and has taken steps to detect and prevent future occurrences of fraud at county assessor and sheriff offices statewide.

Detection:

1. The Department's Division of Administration, Office of Economics & Research has cooperatively developed several automated reporting tools designed to review all county assessor transactions and calculate the percent of transactions that were changed (record deletions, cash refunds, etc.) in order to identify unusual or irregular activities which may need further review.
2. These reporting tools are run on a regular interval to identify unusual or irregular activity through abnormally high percentages of changed transactions. This process was used to successfully identify potential problems in two counties resulting in an arrest and prosecution in one of them. Note: Those unusual or irregular transactions in the other county were analyzed and found to be legitimate but indicative of a training issue.
3. The Division of Motor Vehicles (DMV), administration and legal staff work in close cooperation with county assessors and sheriffs to identify/catalog instances of fraudulent

**STATE OF IDAHO
INTERNAL CONTROL REPORT
FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

activity and assist in the preparation of evidence for prosecutors.

4. The Department will be implementing a random audit of a sampling of counties on a monthly basis once programming is in place to extract this information.

Prevention:

1. After identifying and cataloging fraudulent activity, we shared this information with our Internal Review Office, which is preparing to share this information with external auditors of county records. Every county is required to annually have an independent audit of the financial statements and internal controls. By sharing our experiences with these independent auditors, they are better prepared to review financial records of assessor and sheriff offices.
2. The Department's DMV and Internal Review divisions are jointly preparing a best practices guide and reconciliation procedures manual to assist sheriffs and assessors in strengthening our internal controls and reporting procedures. In the late fall of 2009, staff visited several county offices to learn about individual county processes and to help direct the development of this guide/manual. When distributed, we will include an agreement outlining both Department and Agent roles, responsibilities, and authorities.
3. The Department's DMV has worked internally with our Enterprise Technology Services to develop a monthly report by county office that reflects all of the negative adjusted fees, deleted fees, and no charge correction transactions. This report is reviewed by Department staff, and sent to each assessor for their review and acknowledgment.
4. Effective with the January 2010 billing, all counties will be required to submit back-up documentation for any adjusted registration fees. This process also requires counties to document each instance they adjust registration fees, positively or negatively.
5. The Department's DMV, working cooperatively with our Internal Review section, will also implement an internal checking mechanism to randomly run transaction reports for counties to look for suspicious transactions and patterns. Additionally, DMV will be training all registration staff in this process, to ensure a wider level of responsibility for checking records.

In response to your recommendation regarding enhancing our efforts to replace our current automated systems, the Department is developing our DMV automated system requirements and plans to incorporate many stringent internal

STATE OF IDAHO
INTERNAL CONTROL REPORT
FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

controls as procurement requirements. Full implementation of this new system is expected in 2014.

TREASURER, OFFICE OF THE STATE

FINDING 09S-3

Idaho Code requirements are inadequate for resolving insufficient cash balances in funds. Idaho Code, Section 67-1212 authorizes the State Treasurer to use one of the following options when a warrant is returned because the cash balance in a fund is insufficient.

1. Issue "IOUs" to the payees until such time as cash becomes available in the fund to pay the warrants.
2. In lieu of issuing IOUs the Treasurer can:
 - a. Pay the warrants using cash from other funds if it appears that sufficient cash will become available in the fund within 30 days, or
 - b. Issue tax anticipation notes as provided by chapter 32, title 63 of the Idaho Code.

The State's accounting and banking structure is such that the possibility for a warrant to be returned by the bank for insufficient cash is extremely remote at best. However, the State Treasurer has interpreted this code section to address situations in which individual funds within the State treasury rather than the State's bank account have insufficient cash to redeem warrants.

The State Treasurer monitors cash balances in each fund and allows warrants to be paid from any available cash within the treasury. If the cash balance of a particular fund becomes negative for 30 business days, the State Treasurer transfers cash from other funds to resolve the cash shortage. This process does not follow the specific options established in code since at no time should the cash balance of a fund become negative.

Once a cash shortage occurs and is anticipated to last for more than 30 days, the State Treasurer no longer has the option to borrow from other funds and is required to either issue IOUs or tax anticipation notes (TANs). The 30-day period is an inadequate amount of time to issue TANs, and if the cash shortage occurs near year-end, issuing TANs is generally not an option as Idaho Code requires that TANs be redeemed before the end of the year. Issuing IOUs when the State has adequate cash in other funds could cause the State to violate Idaho Code that requires prompt payment of debts.

The code does not provide the State Treasurer with adequate options or time periods to appropriately resolve insufficient cash balances in funds in an efficient manner. The 30-day period allowed for borrowing from other funds may not provide enough time to establish TANs and force the State Treasurer to issue IOUs.

RECOMMENDATION

We recommend that the State Treasurer seek legal counsel to amend and clarify the Idaho Code requirements for resolving insufficient cash balances in funds.

STATE OF IDAHO
INTERNAL CONTROL REPORT
FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

AGENCY'S CORRECTIVE ACTION PLAN

Both the current and past administrations of the State Treasurer's Office have addressed the insufficient cash balances in the same manner since the initial interpretation of Idaho Code. Our interpretation of both the Idaho Code and the Idaho Constitution has been supported by the Attorney General's Office. However, upon closer review, we agree with the finding that the code is vague and needs clarification. To that end, the State Treasurer drafted legislation to clarify the statute confirming the Treasurer's authority to issue internal notes following the current procedures. This new law has passed the legislature, been signed by the Governor and takes effect immediately.

FINDING 09S-4

Several amounts in the investment pool closing package schedules were misclassified or misstated. The investment pool schedules, included in the original closing packages submitted to the State Controller's Office, contained misclassified or misstated amounts as follows:

1. IDLE pool securities of \$97 million were misclassified in four different schedules.
2. Local Government Investment Pool (LGIP) securities of \$27 million were misclassified in two different schedules.
3. Diversified Bond Fund (DBF) securities of \$69 million were misclassified in two different schedules.
4. DBF sales were overstated and interest received was understated by \$1.3 million in the Condensed Statement of Changes in Net Assets.
5. The internally managed portion of the LGIP sales was understated and interest received was overstated by \$1.9 million in the Condensed Statement of Changes in Net Assets.

After our review, the Office submitted corrected information to the State Controller's Office.

RECOMMENDATION

We recommend that the Office strengthen the review process over closing package preparation to ensure that amounts reported in the investment pool schedules are properly classified and complete.

AGENCY'S CORRECTIVE ACTION PLAN

The State Treasurer has reviewed the process and implemented additional controls to ensure that the amounts reported are accurate.

APPENDIX A

Responses from Agencies to the Findings and Recommendations in this Report



IDAHO DEPARTMENT OF
HEALTH & WELFARE

C.L. "BUTCH" OTTER- Governor
RICHARD M. ARMSTRONG - Director

DAVID N. TAYLOR – Deputy Director
Bureau of Financial Services
450 West State Street, 9th Floor
P.O. Box 83720
Boise, Idaho 83720-0036
PHONE 208-334-5578
FAX 208-334-5694

March 16, 2010

Don Berg, Manager
Legislative Audits Division
Legislative Services Office
P.O. Box 83720
Boise, Idaho 83720-0054

Dear Mr. Berg:

The Department of Health and Welfare has reviewed and responded to the recommendations presented in the statewide Comprehensive Annual Financial Report for Fiscal Year 2009. Enclosed is a copy of our reply to each item addressed in the audit.

If you have any further questions, please contact Steve Bellomy 334-0609.

Sincerely,

DAVID N. TAYLOR, CPA, CFE
Deputy Director

Enclosures:

Idaho Department of Health and Welfare
Comprehensive Annual Financial Report
Findings and Department Response
Fiscal Year 2009

1) Medicaid claims payable and related federal grants receivable were under-reported. The Department reports to the State Controller's Office the amount of Medicaid claims payable and federal grants receivable at year-end to be included in the *CAFR*.

Department Response

The Department agrees with the finding and the recommendation. We will continue to strengthen the review process and develop a method of estimating long-term payables and related federal receivables.



IDAHO TRANSPORTATION DEPARTMENT

P.O. Box 7129
Boise ID 83707-1129

(208) 334-8000
itd.idaho.gov

January 7, 2010

Don H. Berg, CGFM, Manager
Legislative Audits Division
P.O. Box 83720
Boise, ID 83720-0054

Subject: Department Response for Comprehensive Annual Financial Report (CAFR) FY 2009

Dear Mr. Berg:

We appreciate the work performed by you and your staff for the Idaho Transportation Department in conjunction with the *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ending June 30, 2009. This work at the Department resulted in your letter of January 5, 2010 outlining one finding and recommendation related to several instances of fraud occurring over several years.

Finding: Several instances of fraud, totaling more than \$700,000 had occurred involving motor vehicle collections in three counties.

You recommended "that the Department establish monitoring and analytical procedures over motor vehicle collections... to identify unusual or irregular activities. These procedures should include onsite visits to confirm that county personnel are recording and reporting transactions appropriately and that internal control procedures are properly developed and followed." You further recommended that "the Department enhance the current efforts to replace the automated system used to process collections and establish formal agreements with each county assessor to define each party's responsibilities and authorities over the processes."

Response: The Department concurs with the recommendations. We have taken steps to detect and prevent future occurrences of fraud at county assessor and sheriff offices statewide.

Detection:

1. The Department's Division of Administration, Office of Economics & Research has cooperatively developed several automated reporting tools designed to review all county assessor transactions and calculate the percent of transactions that were changed (record deletions, cash refunds, etc.) in order to identify unusual or irregular activities which may need further review.

2. These reporting tools are run on a regular interval to identify unusual or irregular activity through abnormally high percentages of changed transactions. This process was used to successfully identify potential problems in two counties resulting in an arrest and prosecution in one of them. Note: Those unusual or irregular transactions in the other county were analyzed and found to be legitimate but indicative of a training issue.
3. DMV, Administration and Legal staff work in close cooperation with county assessors and sheriffs to identify/catalog instances of fraudulent activity and assist in the preparation of evidence for prosecutors.
4. The Department will be implementing a random audit of a sampling of counties on a monthly basis once programming is in place to extract this information.

Prevention:

1. After identifying and cataloging fraudulent activity, we share this information with our Internal Review Office which is preparing to share this information with external auditors of county records. Every county is required to annually have an independent audit of their financial statements and internal controls. By sharing our experiences with these independent auditors, they are better prepared to review financial records of assessor and sheriff offices.
2. The Department's DMV and Internal Review divisions are jointly preparing a best practices guide and reconciliation procedures manual to assist sheriffs and assessors in strengthening our internal controls and reporting procedures. In the late fall of 2009, staff visited several county offices to learn about individual county processes and to help direct the development of this guide/manual. When distributed we will include an agreement outlining both Department and Agent roles, responsibilities and authorities.
3. The Department's DMV has worked internally with our Enterprise Technology Services to develop a monthly report by county office that reflects all of the negative adjusted fees, deleted fees, and no charge correction transactions. This report is reviewed by department staff, and sent to each assessor for their review and acknowledgement.
4. Effective with the January 2010 billing, all counties will be required to submit back-up documentation for any adjusted registration fees. This process also requires counties to document each instance they adjust registration fees, positively or negatively.

Don H. Berg, CGFM, Manager

January 8, 2010

Page 3

5. The Department's DMV, working cooperatively with our Internal Review section, will also implement an internal checking mechanism to randomly run transaction reports for counties to look for suspicious transactions and patterns. Additionally, DMV will be training all Registration staff in this process, to ensure a wider level of responsibility for checking records.

In response to your recommendation regarding enhancing our efforts to replace our current automated systems, the Department is developing our DMV automated system requirements and plans to incorporate many stringent internal controls as procurement requirements. Full implementation of this new system is expected in 2014.

Again, we thank you for your review, finding and recommendations. Please feel free to contact us if you have any additional questions.

Sincerely,



L. Scott Stokes

Acting Director

cc: Dave Tolman, Administrative Division Administrator
Alan Frew, Motor Vehicle Administrator
Gordon Wilmoth, Financial Services Manager
Carri Rosti, Internal Review Manager

RON G. CRANE
STATE TREASURER



(208) 334-3200
(208) 332-2960 FAX

STATE OF IDAHO
OFFICE OF THE STATE TREASURER

ROOM 102 STATEHOUSE
P.O. BOX 83720
BOISE, IDAHO 83720-0091

Don Berg
Legislative Audits
P.O. Box 83720
Boise, ID 83720-0054

March 22, 2010

Dear Mr. Berg:

Thank you for the results of the State Treasurer's Office audit in regard to the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. I have reviewed the legislative audit and accept it as presented.

As always it is a pleasure to work with you and your staff. I appreciate your efforts to streamline and improve the operations of our office.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron G. Crane", written over a horizontal line.

Ron G. Crane
State Treasurer

RON G. CRANE
STATE TREASURER



(208) 334-3200
(208) 332-2960 FAX

STATE OF IDAHO
OFFICE OF THE STATE TREASURER

ROOM 102 STATEHOUSE
P.O. Box 83720
BOISE, IDAHO 83720-0091

Don Berg
Legislative Audits
P.O. Box 83720
Boise, ID 83720-0054

March 22, 2010

Dear Mr. Berg:

In reply to the FY 2009 legislative audit in conjunction with the audit of the *Comprehensive Annual Financial Report (CAFR)*, the Treasurer's Office is in general agreement with the findings included in the report and responds as follows:

Finding #1 – Idaho Code requirements are inadequate for resolving insufficient cash balances in funds.

Both the current and past administrations of the State Treasurer's Office have addressed the insufficient cash balances in the same manner since the initial interpretation of Idaho Code. Our interpretation of both the Idaho Code and the Idaho Constitution has been supported by the Attorney General's Office. However, upon closer review, we agree with the finding that the code is vague and needs clarification. To that end, the State Treasurer drafted legislation to clarify the statute confirming the Treasurer's authority to issue internal notes following the current procedures. This new law has passed the legislature, been signed by the Governor and takes effect immediately.

Finding #2 – Several amounts in the investment pool closing package schedules were misclassified.

The State Treasurer has reviewed the process and implemented additional controls to ensure that the amounts reported are accurate.

I thank you for the opportunity to respond to the findings in the audit, and appreciate the efforts of the legislative auditors to streamline and improve the operations of our office.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron G. Crane".

Ron G. Crane
State Treasurer

*Compiled and Published
by*

*Idaho Legislative Services Office
Audits Division
P.O. Box 83720
Boise, Idaho 83720-0054
208-334-4875*